

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1638 – SB 1598

February 15, 2016

SUMMARY OF ORIGINAL BILL: Creates funding mechanisms for local education agencies that create (creating LEAs) regional schools with a specific focus that permit students from outside the creating LEA to attend. If a regional school student resides in the jurisdiction of the creating LEA, then Basic Education Program (BEP) funding for the student shall be the same as other students within the LEA. Requires the Department of Education (DOE) to withhold and transfer state BEP funding to LEAs that house regional schools for regional school students that do not reside within the jurisdiction of the creating LEA, which shall be dependent on the difference between the student's home LEA BEP funding amount and the BEP funding amount of the LEA where the regional school is located. Requires the DOE to include in the amount of BEP funding transferred the difference between the creating LEA's state and local BEP funding and the home LEA of the regional school student. Only funds from the state BEP account shall be transferred between LEAs.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$10,250/FY16-17 and Subsequent Years/BEP

Increase Local Revenue – Exceeds \$10,250/FY16-17 and Subsequent Years/
State BEP Funding

Other Fiscal Impact – There will be a shift of state BEP funding estimated to exceed \$10,000 per year beginning in FY16-17 from any home LEA to any LEA where the regional school is located. Beginning in FY17-18 and in any second and subsequent years after students transfer, the LEA from which students transfer may be able to permissively decrease their local expenditures, and the LEA to which students transfer will permissively increase their local expenditures; both estimated to exceed \$10,000 per year.

SUMMARY OF AMENDMENT (012055): Deletes all language after the enacting clause. Authorizes local boards of education to admit pupils from outside their respective local education agencies (LEAs). Removes current provision in Tenn. Code Ann. § 49-3-3104 that governs such admissions.

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Requires local basic education program (BEP) funding to follow the student to the LEA that the student is transferring if an LEA has created a regional school that has a specific focus on STEM (science, technology, engineering, and math) education. Prohibits tuition from being charged by the receiving LEA.

If the total state and local BEP funds for the receiving LEA are greater than the total of such funding for the sending LEA, then the Department of Education is required to withhold from the sending LEA's state BEP payments, an amount equal to the difference between the two and send this difference to the receiving LEA.

Requires any excess funds to be retained by the sending LEA, if the total state and local BEP funds for the receiving LEA are less than or equal to the total of such funding for the sending LEA.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

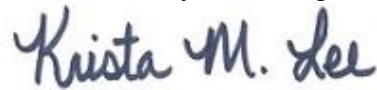
Assumptions for the bill as amended:

- LEAs will not be required to create regional schools.
- Statewide, the average required BEP per pupil expenditure is \$6,643 (\$4,330 state funding; \$2,313 local required match).
- The state will transfer the BEP per pupil expenditure from the sending LEA to the creating LEA in the first fiscal year that a regional school student attends the school.
- After the first year of a transferring student's attendance at a regional school, the student will no longer be counted within the home LEA's average daily membership for the purposes of state and local BEP funding.
- In the first fiscal year that a transfer occurs, the home LEA will realize a loss in BEP funding which will be offset by an increase in BEP funding for the LEA to which a student transfers.
- The state will fund the difference between per pupil expenditures if the receiving LEA has a higher per pupil expenditure than the LEA from which a student is transferring.
- Based on information from the Department of Education, the average difference between total LEA BEP per pupil expenditures is \$205.
- Based on information from DOE, the number of students that will transfer to a regional school in any given year is unknown. However, it is estimated that a minimum of 50 students will transfer to a regional school in an LEA with a higher per pupil expenditure beginning in FY16-17.
- The recurring increase in state BEP expenditures in FY16-17 and subsequent years is estimated to exceed \$10,250 (50 x \$205).

- The exact amount of BEP funding that will transfer in the first fiscal year as a result of student transfers, independent of additional state BEP funding, is unknown and dependent upon multiple unknown factors such as the per pupil expenditure for LEAs from which students transfer and the per pupil expenditure for LEAs to which a student transfers; the per pupil expenditures in each LEA in subsequent fiscal years; the capacity of a regional school in any fiscal year; and the number of students who will annually transfer into and out of a regional school.
- However, based on the average difference between per pupil expenditures statewide; the transfer of BEP funds annually from home LEAs to the creating LEA is reasonably estimated to exceed \$10,000 annually.
- For creating LEAs that have a lower per pupil expenditure than the home LEA of a transferring student, the recurring increase in BEP funding to that LEA is estimated to exceed \$20,250 (\$10,000 from transferring BEP funds + \$10,250 additional state BEP funding) in FY16-17 and in any subsequent year that new students transfer to a regional school.
- Beginning in FY17-18, and in any subsequent second fiscal year after a student has transferred to a regional school, the home LEA may reduce its local expenditures as a result of a decrease in enrollment. The permissive and recurring decrease in local funding for any applicable home LEAs is estimated to exceed \$10,000.
- Beginning in FY17-18, and in any subsequent second fiscal year after a student has transferred to a regional school, the LEA where the regional school is located will incur an increase in local expenditures as a result of more students being counted in their average daily membership for the purposes of BEP funding. The permissive and recurring increase in local funding for any applicable LEA is estimated to exceed \$10,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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